

SOCIAL
SECURITY
AND YOUR
HOUSEHOLD
EMPLOYEE

JANUARY 1986 EDITION

Do you hire a household employee such as a maid, cook, or cleaning lady? How about a gardener or handyman? Or do you frequently have a babysitter (either adult or teenager) watch your children? If so, there are some important facts you need to know about Social Security.

Wages must be reported

If you pay a household worker *\$50 or more in cash wages* during a 3-month calendar quarter, you *must* deduct Social Security taxes and report the wages. This includes any cash you pay to cover the cost of bus fare, meals, or a room. Failure to report the wages on time may mean you will have to pay a penalty in addition to overdue taxes.

A calendar quarter is a 3-month

period that ends on March 31, June 30, September 30, or December 31. If wages average as little as \$4 a week they would add up to at least \$50 for the quarter.

Reporting wages helps your employ

You or your employee may question the value of reporting the wages. Retirement may be years away. And the individual may need every possible dollar now to meet daily needs.

Social Security is much more than a retirement program that provides monthly checks as early as 62 and Medicare protection at 65. It also provides monthly benefits to a worker and the worker's dependents if he or she becomes disabled for a year or more. Certain dependents can get monthly

payments if the worker dies.

But a worker needs some Social Security credits (called quarters of coverage) before benefits can be paid. Those credits are received from reported earnings. If you do not report the wages, your employee may not have enough credit for Social Security protection, or the amount of the benefit may be less.

In 1986, a person earns one quarter of coverage for each \$440 of reported annual earnings, up to a maximum of four quarters for the year. The amount needed for a quarter of coverage will increase automatically in future years as average wages for all workers increase.

Are all household workers covered?

If you pay a household worker \$50 or

more in cash wages during a calendar quarter, the work is covered by Social Security. However, there are special rules for some specific situations:

- If you run a hotel, roominghouse, or boardinghouse, *all* wages you pay employees must be reported, even if they are less than \$50 a quarter.
- If you hire someone to do household work on a farm operated for profit, the wages must be reported if they amount to *\$150 or more for the year*. They also must be reported if the person works for you at least *20 days* during the year on a time basis (that is, by the hour, day, week, or month) even if total annual wages are less than \$150.
- If you pay your child under 21 or your spouse for household work, the work is not covered by Social Security and should *not* be

reported. Wages paid to a parent for such work *may* be reported if certain conditions are met (check with your Social Security office for details).

How and when do I report the wages?

Fill out and mail the attached post card to the Internal Revenue Service Center for your State (see page 6 for address). You will receive the necessary reporting forms as well as information on how to complete them and when to file them. Meanwhile, here are a few highlights you may want to know about now:

- *Keeping records*—For Social Security purposes, all you need are the name, address, and Social Security number of each household

worker, and the amount of wage paid. Copy the Social Security number directly from the individual's Social Security card. If an employee does not have a card, he or she should apply for one at any Social Security office.

- *Deducting Social Security taxes*—The 1986 Social Security tax rate for both employees and employers, is 7.15 percent on wages up to \$42,000.
- *Quarterly reports*—Within a month after a quarter ends, you must send the taxes and a report of the wages you paid to the Internal Revenue

Place
stamp
here

Internal Revenue Service Center

City

State

Zip Code

Service. This is done by using IRS Form 942 (*Employer's Quarterly Tax Return for Household Employees*).

- *W-2 after year ends*—You also must give your worker(s) copies B, C, and 2 of IRS Form W-2 (*Wage and Tax Statement*) by January 31 after the year in which wages were paid. *Send copy A to the Social Security Administration by February 28.* You generally will receive this form, along with instructions for completing it, from the Internal Revenue Service near the end of the year. If you do not receive the W-2 and instructions, contact any IRS office.

If you have questions

If you or your employees have any questions about Social Security benefits, the people in any Social Security office will be glad to help you. Several free leaflets are available.

Official Publication of

U.S. Department of Health and Human Services
Social Security Administration
SSA Publication No. 05-10021
January 1986

U.S. Department of the Treasury
Internal Revenue Service

Where to send the attached post card

If your address is located in:

Connecticut, Maine, Massachusetts, New Hampshire, New York (all counties except: Nassau, Rockland, Suffolk, and Westchester), Rhode Island, Vermont.

New Jersey, New York City, and counties of Nassau, Rockland, Suffolk, and Westchester.

Delaware, District of Columbia, Maryland, Pennsylvania, Puerto Rico, Virgin Islands, outside U.S.

Alabama, Florida, Georgia, Mississippi, South Carolina.

Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia.

Michigan, Ohio.

Illinois, Iowa, Missouri, Wisconsin.

Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas.

Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming.

California, Hawaii.

Use this mailing address:

Internal Revenue Service Ctr.
Andover, MA 01850

Internal Revenue Service Ctr.
Baltimore, NY 06801

Internal Revenue Service Ctr.
Philadelphia, PA 19133

Internal Revenue Service Ctr.
Atlanta, GA 30301

Internal Revenue Service Ctr.
Memphis, TN 37901

Internal Revenue Service Ctr.
Cincinnati, OH 45299

Internal Revenue Service Ctr.
Kansas City, MO 64109

Internal Revenue Service Ctr.
Austin, TX 78701

Internal Revenue Service Ctr.
Ogden, UT 84401

Internal Revenue Service Ctr.
Fresno, CA 93733

(Date)

Internal Revenue Service:

I employ one or more household workers who are covered by Social Security.
The first date I paid (or expect to pay) taxable wages of \$50 or more in a calendar
quarter to a household employee is _____ 19____ .

Please send me more information.

Employer's name

Street, RFD, or P.O. Box

City

State

Zip Code